



Higher Education Budget Update, 2005-06

On July 11, 2005, the Governor signed into law Senate Bill 77, the 2005-2006 Budget Act for the State of California. The new budget appropriates \$117.4 billion in combined State General Funds and selected Special and Bond funds, which is a decrease of \$1.2 billion, or just over 1 percent, from the \$118.6 billion in combined funds spent in 2004-05. The major change in fund sources between the two years is a substantial decrease in bond funding, which is anticipated to decline from the prior year's \$14.6 billion to only \$4 billion in 2005-06.

State General Fund spending for the 2005-06 fiscal year is expected to exceed \$90 billion, an \$8.3 billion increase over 2004-05. The budget does not propose the expenditure of Economic Recovery Bonds authorized by the voters in Proposition 57 of 2004. The Governor vetoed \$115 million in funding approved by the Legislature in arriving at the final budget. Analysts estimate that, as adopted, the new 2005-06 budget will maintain a \$5 to \$6 billion spending deficit into the 2006-07 fiscal year. However, California's currently strong economic performance could lessen the deficit over the months ahead.

Higher Education Budget Highlights

For California's higher education enterprise, the 2005-06 Budget provides \$12 billion in combined State General and Local Property Tax funds. The table below summarizes higher education funding by system and agency for the 2003-04 through 2005-06 fiscal years.

Higher Education State General Funds and Local Revenues (Dollars in millions)

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>1-Year Percent Change</u>
University of California	\$2,868	\$2,709	\$2,843	4.9%
California State University	2,626	2,481	2,615	5.4%
California Community Colleges ¹	4,505	5,021	5,509	9.7%
California Student Aid Commission	659	598	752	25.8%
CPEC, Hastings College, other ²	<u>180</u>	<u>275</u>	<u>301</u>	<u>9.5%</u>
Totals	\$10,838	\$11,084	\$12,020	8.4%

1. Community College funding includes property tax revenue, per funding formula.

2. Funding increases here reflect increased higher education General Obligation Bond interest and redemptions.

Source: California Department of Finance, July 2005.

Program Highlights

Below is a summary of important components of the 2005-06 higher education budget:

University of California

- ♦ \$4.8 billion in total general-purpose funding, a 6.3% (\$284 million) increase from 2004-05.
- ♦ \$76.1 million increase (3%) for basic budget support.
- ♦ \$37.9 million increase (2.5%) for enrollment growth.
- ♦ \$18.9 million increase for revised lease-revenue payments.
- ♦ \$14 million one-time funds for costs associated with making UC Merced operational in fall 2005 for a total funding level of \$24 million.
- ♦ \$750,000 increase for the Governor's Science and Math Teacher Initiative.

California State University

- ♦ \$3.8 billion in total general-purpose funding, a 5.8% (\$212 million) increase from 2004-05.
- ♦ \$71.7 million increase (3%) for basic budget support.
- ♦ \$50.8 million increase (2.5%) for enrollment growth.
- ♦ \$44.4 million increase for baseline retirement contribution increases.
- ♦ \$560,000 increase to support the establishment of entry-level master's degree programs in Nursing at 14 CSU campuses as part of an initiative to meet the state's critical nursing shortage.
- ♦ \$250,000 increase for CSU's participation in the Governor's Science and Math Teacher Initiative.

California Community Colleges

- ♦ \$8 billion in total funding, a 6.6% (\$495 million) increase from 2004-05 level.
- ♦ \$136.7 million to fund an additional 34,000 FTES in 2005-06.
- ♦ \$198.5 million to provide a COLA of 4.23% for general-purpose apportionments for all districts.
- ♦ \$31.4 million increase to general apportionment funding, per Chapter 581, Statutes of 2004, to establish a district-specific accountability system.
- ♦ \$10 million in ongoing funding and \$4 million in a one-time funding for an initiative to expand nursing enrollments, nursing equipment, and related infrastructure upgrades.
- ♦ \$16.8 million in growth and COLA funding for selected categorical programs, including Basic Skills, Matriculation, Disabled Students Programs and Services, and Extended Opportunity Programs and Services.
- ♦ \$1 million for "Cal-Pass," a project to enable outcome-based research between K-12, community colleges, and the university systems.
- ♦ The budget also sets aside \$37.4 million for the community colleges to fund the Governor's Career Technical Education Initiative in separate legislation. This initiative seeks to improve and

align K-12 career technical education programs with local community college industry-driven technical instruction.

Student Aid Commission

- ♦ \$838.2 million in total funds, a 7.6% (\$59 million) increase from revised 2004-05 funding.
- ♦ \$51 million from a shift of General Fund financial aid obligations to the Student Loan Operating Fund (SLOF).
- ♦ \$51.3 million General Fund caseload increase for Cal Grant awards for 2005-06 over the revised 2004-05 budget.
- ♦ \$6.8 million General Fund caseload increase for the Assumption Program of Loans for Education (APLE).
- ♦ Authorization for 300 additional APLE warrants, with priority for teachers in specified shortage areas.
- ♦ Authorization for 100 loan assumption warrants for individuals who obtain a graduate degree and teach in nursing programs subject to trailer bill legislation as part of the state's nursing initiative.

Intersegmental

The 2005-06 budget continues \$17.3 million in state funding for UC's academic preparation programs, with the understanding that UC will work with the Administration to fully evaluate the cost-effectiveness of these programs. For the CSU, the budget also provides \$7 million in State funding for CSU's Early Academic Assessment Program, Campus-Based Outreach Programs, and the Educational Opportunity Program. For both systems, the budget includes legislative intent language requesting a report on the outcomes and effectiveness of these programs during next year's budget process.

Fees

For resident students, systemwide undergraduate fees at both the UC and CSU will increase 8% for 2005-06. At the CSU, these fees will increase from the current \$2,332 to \$2,520 and at UC, from \$5,684 to \$6,141. Systemwide graduate student fees will also increase 10% at both the CSU and UC. For fall of 2005, this means CSU graduate student fees will pay an average \$3,102 (\$2,922 for CSU teacher preparation graduate students) and average fees for UC academic graduates will be \$6,897.

Other State Programs

K-12 Education – \$62.3 billion in total funding from all sources, an increase of \$2.7 billion (5%) over estimated 2004-05 spending. Total Proposition 98 spending is nearly \$50 billion, an increase of \$2.3 billion (6.7%) over 2004-05.

Health and Human Services – \$25 billion in State General Fund spending, an increase of \$2.1 billion (8.5%) over 2004-05.

Corrections and Rehabilitation – \$7 billion in State General Fund spending, an increase of \$423 million (6%) over 2004-05.

General Government – \$1.9 billion in State General Fund spending, an increase of \$815 million (79%) over 2004-05.

Additional information on the 2005-06 budget can be found at the internet web links listed below:

Department of Finance: http://www.dof.ca.gov/HTML/Budget_05-06/Veto_Pkg_05/Veto_Pkg_05_w2.pdf

Legislative Analyst (SB 77): http://www.lao.ca.gov/2005/floor_packet/061505_floor_packet.pdf

CCC: http://www.cccco.edu/news/press/press_2005/press_july/press_070705.htm

CSU: <http://www.calstate.edu/pa/news/2005/budget0711.shtml>

UC: <http://www.universityofcalifornia.edu/news/2005/jul11.html>